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SUBJECT: BOLIVIA: EVO'S 2007 REPORT CARD

Classified By: EcoPol Chief Mike Hammer for reasons 1.4b, d

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Summary
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¶1. (C) Bolivian President Evo Morales's second year in office has been even more contentious than his first. On the international front, this year has included diplomatic scuffles with neighbors and increasing attacks against the United States and our mission in Bolivia. Domestically, conflict between various segments of society--east and west, white and indigenous, lowland and highland, rich and poor, capitalist/neoliberal and socialist--have increased to the point of violence and even talk of civil conflict. Allegations of Venezuelan influence have increased, as has the presence of Venezuelan and Cuban advisors. A major Movement Toward Socialism (MAS) 'deliverable,' the new constitution, was eventually pushed through the Constituent Assembly by various semi-legal and undemocratic means. Although not yet sinking to a failing grade, Evo's second year in office merits a cautionary D. End summary.

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As President, Evo Makes a Good Union Boss
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¶2. (C) Evo's original and enduring power base is the cocalero (coca-growing) union, of which he was and is still president. Evo's decision not to resign as head of the cocaleros shows both his need for a dedicated support-group and his penchant for representing some, not all, Bolivians. A constant complaint of groups who are not among Evo's favored is that Evo does not represent them. Embodiments have heard this complaint from the opposition as well as less-obvious groups such as lowland indigenous organizations, disenfranchised campesino farmers, and cooperativist non-government miners, all of whom feel left out by Evo's new government.

13. (C) Evo's inability to recognize his responsibility as president of all Bolivians has had tragic consequences. In the wake of violence in Sucre which left three dead, Evo personally marched with El Alto and cocalero protesters to picket the Senate. In nearly every speech, Evo claims to represent the altiplano, the indigenous, and the cocaleros, and attacks those who oppose him as "imperialist, racist oligarchs." The first president in Bolivia's modern history to receive a majority of votes has divided his country rather than uniting.

14. (C) In keeping with his union-boss past, Evo has often acted as if he were starring in a Bolivian "Sopranos." Reputable sources tell us that the MAS has threatened opposition members and their families, constitutional and supreme-court justices, and MAS members perceived to be 'out of line' have also received threats from their own party. Impatient with the democratic process and independent judiciary, Evo and the MAS have repeatedly sidestepped legal processes and excluded the opposition. Under Evo's tenure the Constitutional Tribunal has been gutted, leaving no court of final appeal on constitutional matters and allowing Evo's subsequent questionable steps to go unchallenged.

15. (C) The MAS arranged for forcible exclusion of the opposition in both the Sucre and Oruro meetings of the Constituent Assembly in order to push through a new draft constitution. Even now, Evo is supporting substantive changes to that document, despite it having been made 'final.' So far, Evo and the MAS have managed to cloak their maneuverings in just enough appearance of possible legitimacy to minimize international outcry. For part of this international blind-eye reaction, Evo can thank his own personal popularity (as a poor, indigenous coca farmer who, not-incidentally, sticks it to the Americans and the previous ruling elite.)

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King Coca
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16. (C) Under the new draft (MAS) constitution, coca would be declared "cultural patrimony," whose "pricing, production, marketing, and industrialization will be regulated by law." It is not surprising that the current head of the coca-growers union (Evo) would shepherd a constitution that raises his product to iconic status. Coca use is not traditional in much of Bolivia, however, and some groups are frustrated by this focus. In a recent meeting, a lowland indigenous leader told emboffs that he was furious at the MAS claim that coca is a universal indigenous symbol. He said his indigenous community never used coca, yet their kids are suffering from increased drug use, which he suggested was a result of a permissive government. Thus, the MAS focus on coca, although not generally decried by the Bolivian public, has served to highlight differences and strain relations between some indigenous groups.

17. (C) Oddly enough, coca has become one of the areas in which the mission and Bolivian officials can cooperate, at least to an extent. Working-level relations with the U.S.-supported counter-narcotic police detachments are excellent, and interdictions have increased (although production has also increased.) The government and Evo claim to be interested in the prospect of a bilateral agreement to achieve a net reduction in coca cultivation, but we have seen little enthusiasm on this point.

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Show Them the Money
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18. (C) Despite Evo's plans for industrializing coca, the leaf thus far has had an impact on the Bolivian economy only in its processed form--the increased influx of narco-money is considered one of the factors that is driving inflation into the double digits this year. Bolivia is headed for economic difficulties. Gas production is under increasing strain,

inflation is headed toward a yearly total of over 12 percent, and current diesel shortages are hampering the summer planting season in the East. Many in the opposition consider that the economy is "Evo's Achilles heel." In fact, the opposition is counting on economic troubles to erode Morales' popularity, with percentages still hovering in the fifties. However, Morales is deflecting responsibility by blaming the private sector, a message that resonates with Evo's base.

¶9. (C) If the MAS constitution passes in its current form, the Bolivian economy is likely facing even worse times. The draft constitution provides for weak private property protection and could be read as giving indigenous groups veto power over exploration, resource development or construction in almost any part of the country (based on claims of "traditional use" of the land.) The draft constitution also explicitly involves the State in much of the economy, including mining and public utilities, which could affect U.S. companies. Despite much-hyped promises of investment from Brazil, Iran and India (as well as a purported new mining agreement with South Korea), various industry contacts tell us that investment in Bolivia is already slowing and could grind to a halt if the new constitution passes--not a promising present from Evo to the Bolivian people.

Makes Friends Easily: Venezuela, Cuba, Iran

¶10. (C) Evo makes no attempt to hide his close reliance on Venezuelan advisors nor his admiration of President Hugo Chavez. In August 2007 with Chavez by his side, Evo publicly rejected democratic principles, saying that he would not let the law stand in his government's way and would use presidential decrees to push through change. Evo said "being subjected to the law is damaging us; though they may say our decrees are unconstitutional, that does not matter." (Note: in fact, claims of unconstitutionality effectively ceased to matter in December 2007, when Evo finally achieved his goal of crippling the Constitutional Tribunal, leaving Bolivia with no court to decide constitutional questions. End note.)

¶11. (C) The presence of Venezuelan advisors and Venezuelan plane sightings (with rumored drop-offs of weapons and soldiers) has become an opposition rallying-cry against Evo. At a time when Evo's rhetoric is laced with complaints about "imperialist" (read: U.S.) interference, the "little brother" role that Evo is taking with Hugo Chavez grates on many Bolivians' sense of national pride and sovereignty. The presence of Cuban doctors and Evo's adulation of Fidel Castro has not drawn as much domestic criticism, probably because Fidel is a far-away and mythical figure in Latin America, while Chavez is touted as the big brother next door.

¶12. (C) Despite earlier, private assurances to the Ambassador that Bolivia would not open diplomatic ties with Iran, on September 5th Evo signed commercial agreements with the Iranian Ambassador and on September 11 Evo's foreign minister announced diplomatic relations with Iran. While the choice of the date of the announcement may not have been an intentional insult to the United States, the context of the announcement (coupled with an announcement of stricter visa requirements for U.S. tourists) was a definite jab. Evo and Foreign Minister Choquehuanca defended Iran's nuclear program, contrasting Iran's development of "peaceful" nuclear technology with countries like France, Russia, Israel, and the United States that use the technology to make "atomic bombs." On September 27, Evo gave a warm embrace to visiting Iranian President Ahmadinejad. Expanding Evo's new "in-crowd", on September 25 Bolivian government officials also announced a "gradual" establishment of diplomatic relations with Libya over the next few months.

Plays Well With Others: Neighbors and Mercosur

¶13. (C) After a rough start when Bolivia's nationalization of

hydrocarbons alienated Brazil, whose state company Petrobras was forced to sign new contracts, Evo has been working for a rapprochement with his neighbors. The recent visit from Presidents Bachelet and Lula worked in Evo's favor, both as a sign of international acceptance of his domestic political maneuverings and as a distraction from internal conflict. Mercosur's December 18 statements in support of Bolivia are another result of Evo's increased interest in decreasing his isolation. Although some of this tightening of regional ties is based on shared political interests, Evo has also leveraged Bolivia's gas reserves to forge relations with neighbors. With gas production dropping and little exploration underway, most observers predict that Bolivia will be unable to fulfill its international contracts in the next few years. The effect of gas shortages on Evo's new friendships is not clear.

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Plays Poorly With U.S.
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¶14. (C) 2007 has been an especially difficult time for U.S.-Bolivian relations. Evo's past as a coca-grower makes him paranoid of USG actions and intentions. In meetings with the Ambassador, Evo has repeatedly referred to isolated incidents and anecdotes as 'evidence' that the United States is working against him. At one meeting, Evo spoke extensively about the 2002 election, which he believes was unfairly stolen from him by a combination of former U.S. Ambassador Manuel Rocha, Bolivian political operative Oscar Eid, and former Defense Minister (under "Goni" Sanchez de Lozada) Sanchez Berzain. The Ambassador's assurances that we are prepared to work with him do not seem to satisfy Evo.

¶15. (C) Although Evo has told us that he will "never break ties with the United States", his close advisors have also told us that Bolivia is seeking to distance itself from the United States. Evo has made anti-USG accusations in international fora, such as the Ibero-American Summit in November, where he displayed a picture of the Ambassador taken at a trade show with a passerby who has since been identified as an alleged criminal. Evo claimed that the photo with a "Colombian paramilitary" was evidence of "an open conspiracy."

¶16. (C) Evo and his ministers have publicly attacked USAID in Bolivia, claiming that our assistance programs are not transparent and support the opposition. Presidency Minister Quintana's public attack on USAID went so far as to warn USAID employees not to be "traitors". A supreme decree issued by Evo contains points that may restrict USAID's ability to work in Bolivia. Even EU missions, generally more forgiving of Evo's grandstanding, have become frustrated with his habit of lauding Venezuelan aid while ignoring more-transparent and accountable aid from other countries.

¶17. (C) Evo's spurious attacks against the USG have been almost-constant throughout 2007, but he summarized many of them in a December 7 interview with Venezuelan TV network Telesur: "...here the conspiracy against the government is headed by the Embassy of the United States and oligarchies...last year, here in La Paz a U.S. citizen appeared with bombs, killing people...Second, an American who worked with the U.S. embassy in Bolivia in the past months entered with 500 bullets...she was stopped, and according to the U.S. Ambassador in Bolivia, (the bullets) were for hunting in Bolivia...I don't know if it was to hunt Evo Morales..." (Note: The bomb-placing Amcit was seemingly mentally-disturbed and not attached to the Mission. The case of the bullets involved a friend of a country team member who had been asked to bring in bullets for target practice. End note.) Evo went on to rehash the story of an alleged criminal photographed with the Ambassador and added a new twist, referring to the incident where a mob in Beni attacked a Venezuelan plane and saying that he would have preferred to see the group attacking "the North American helicopters...used for attacking or provoking against social movements."

¶18. (C) In a throwback to his coca-growing days, Evo also

routinely ends speeches to his followers with cries of, "long live coca, death to the Yankees," although he claims he does not want to break relations. To that end, Evo announced on December 20 that "...we are from a culture of dialogue. Despite these aggressions and conspiracies on the part of the Ambassador of the United States, we are not going to break dialogue, we will maintain diplomatic relations...How nice it would be if the U.S. government would recommend to its Ambassador not to come here to conspire, not to come to Bolivia to make politics but rather to do diplomacy..."

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Comment
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¶19. (C) In 2007, Evo has earned a near-failing "D" grade: from a position of unparalleled popularity and with a chance to unify Bolivia and improve the lot of her people, Evo instead incited divisions, provoked violence, and weakened Bolivia's already-tenuous democratic institutions while also damaging the fragile economy. Evo strained relations with some neighbors while cozying up to dangerous friends. Finally, based on his own paranoia and in (often-successful) attempts to distract attention away from his own illegal acts, Evo has repeatedly attacked the Embassy and the USG, weakening a long and positive bilateral relationship.

¶20. (C) Unfortunately the outlook for 2008 is not hopeful. Evo appears determined to continue to try to consolidate his power. A faltering economy coupled with intransigence by both the government and opposition will likely result in continued tension and, possibly, violence. We can also expect more anti-U.S. rhetoric and actions, including the possible expulsion of some mission elements, if Evo feels threatened or thinks he can rally support with such actions. End comment.
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